

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05

L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02

SS-15 STR-01 TRSE-00 FRB-03 FEA-01 /083 W

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R 101916Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8123

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMCONSUL EDINBURGH

C O N F I D E N T I A L LONDON 02087

E.O. 11652: GDS

TAGS: ENRG, UK

SUBJECT: HAROLD LEVER ON NORTH SEA OIL

1. HAROLD LEVER TOLD CHARGE AND ECONCOM MINISTER HE HAD HAD A VERY SATISFACTORY MEETING ON NORTH SEA OIL AT THE STATE DEPARTMENT DURING THE PRIME MINISTER'S RECENT WASHINGTON VISIT. HIS TALKS WITH THE OIL COMPANIES IN NEW YORK ALSO WERE USEFUL IN CLARIFYING UKG POSITION ON PARTICIPATION, THOUGH HE IS UNDER NO ILLUSION THAT OIL COMPANIES CONCERNS HAVE BEEN FULLY MET.

2. HIS TALKS IN NEW YORK FOCUSED PRIMARILY ON FINANCIAL ARRANGEMENTS. SPECIFICALLY HE SAID OIL COMPANIES DID NOT PRESS HIM MUCH ON QUESTIONS OF DISPOSITION OIL AND OPERATIONAL CONTROL.

3. LEVER GAVE US A CLEARER EXPLANATION THAN HE HAS PREVIOUSLY OF HOW GUARANTY THAT COMPANIES WILL NOT LOSE FINANCIALLY BY STATE PARTICIPATION WILL BE IMPLEMENTED.

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THE BASIC CONCEPT IS THAT STATE WILL, IN EFFECT, RECEIVE

INTEREST ON VALUE OF ITS FINANCIAL INPUT EQUAL TO INTEREST A COMPANY (OR CONSORTIUM) WOULD OTHERWISE HAVE HAD TO PAY. STATE WILL PAY 51 PERCENT OF EXPENDITURE AFTER IT BEGINS TO PARTICIPATE AND WILL RECEIVE RETURN EQUAL TO WHAT ITS PARTNER WOULD HAVE HAD TO PAY FOR THESE FUNDS, WITH PARTNER RETAINING REMAINDER OF PROFIT.

4. AS TO DISPOSITION OF 51 PERCENT OF OIL TO WHICH STATE WILL BE ENTITLED, LEVER SAID HE IS WILLING TO CONTRACT TO SELL IT BACK TO COMPANIES FOR A PERIOD OF YEARS, SUBJECT TO A CLAUSE WHICH WOULD PERMIT GOVERNMENT TO DIVERT OIL IN AN EMERGENCY. PERIOD IS NEGOTIABLE. SUBSEQUENT PERIOD IN WHICH PERCENTAGE SOLD BACK IS REDUCED ANNUALLY ALSO COULD BE CONSIDERED. HOWEVER SELL BACK COMMITMENT WOULD HAVE TO BE LIMITED IN TIME SO THAT PROJECTED NATIONAL OIL COMPANY (BNOC) COULD HAVE OIL AVAILABLE AT SOME DEFINITE TIME IN FUTURE; OTHERWISE "PARTICIPATION" WOULD BE MEANINGLESS. LEVER SAID BNOC COULD BE CONTENT IN EARLY YEARS WITH ROYALTY OIL PLUS ANY PARTICIPATION OIL WHICH SOME COMPANIES MAY NOT WISH TO BUY BACK. LATER RETENTION OF GOVERNMENT'S 51 PERCENT WOULD DEPEND ON REFINERY INVESTMENT DECISIONS AMONG OTHER THINGS.

5. ON OPERATIONAL CONTROL, LEVER REITERATED WHAT HE HAD TOLD US EARLIER, THAT COMPANIES SHOULD PROPOSE FOR CONTRACTS WHATEVER CLAUSES THEY THINK NECESSARY TO ENSURE OPERATIONAL CONTROL. HE SAID SOMEONE IN NEW YORK HAD INDICATED CONCERN THAT GOVERNMENT MIGHT FORCE THEM INTO UNWISE DECISIONS, E.G. EXPLORATION DRILLING. HIS ANSWER WAS THIS WOULD NOT BE IN GOVERNMENT'S INTEREST AND HE DOES NOT THINK THE DANGER IS REAL; A MORE REAL DANGER MIGHT BE HOLD UPS CAUSED BY DELAYS IN MAKING GOVERNMENT FUNDS AVAILABLE.

6. LEVER DOES NOT EXPECT TO PURSUE PARTICIPATION NEGOTIATIONS UNTIL AFTER THE PETROLEUM REVENUE TAX IS DECIDED, PROBABLY TOWARDS THE END OF THIS MONTH.

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
**Draft Date:** 10 FEB 1975  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
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**Disposition Date:** 28 MAY 2004  
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**To:** STATE  
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